

AMENDED IN SENATE APRIL 18, 2006

AMENDED IN SENATE MARCH 29, 2006

SENATE BILL

No. 1754

Introduced by Senator Lowenthal

February 24, 2006

An act to add Division 3 (commencing with Section 64100) to Title 6.7 of the Government Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 1754, as amended, Lowenthal. Housing and infrastructure ~~financing districts. zones.~~

The Community Services District Law identifies the procedures for district formation and specifies the services that a district may provide. Among those services are the acquisition, construction, improvement, maintenance, and operation of recreation facilities, including parks and open space; and community facilities, including libraries, and child care facilities; supplying water for any beneficial use, the collection, treatment or disposal of sewage, waste water, recycled water, storm water, and solid waste; and the acquisition, construction, improvement, and maintenance of streets, roads, rights-of-way, bridges, culverts, drains, curbs, gutters, sidewalks, and any incidental works.

The Community Redevelopment Law authorizes redevelopment agencies to pay the principal of, and interest on, indebtedness incurred to finance or refinance redevelopment, from a portion of property tax revenues diverted from other taxing agencies. The portion of taxes diverted is the amount attributable to increases in assessed valuation of property in the redevelopment project area subsequent to establishment thereof. This method of financing is commonly known

as “tax increment” financing and is specifically authorized by Section 16 of Article XVI of the California Constitution.

Existing law requires a redevelopment agency to use at least 20% of its tax increment revenues to increase, improve, and preserve low- and moderate-income housing available at affordable cost to persons and families of low or moderate income and lower, very low, and extremely low income households unless the agency makes certain findings. Under existing law, there are programs that provide assistance for, among other things, multifamily housing, emergency housing, farmworker housing, and homeownership for low- and very low income households, and that provide downpayment assistance for first-time homebuyers.

Existing law sets forth the duties of the California Economic Development and Infrastructure Development Bank generally in promoting economic development activities in the state.

This bill would establish a pilot project allowing for the formation, under criteria developed by specified councils of governments and the *Secretary of Business, Transportation and Housing Agency*, of ~~5~~ *100* housing and infrastructure ~~financing districts~~ *zones* in the state. A city or county would be eligible to apply to its council of governments or the agency, as applicable, in order to establish a housing and infrastructure zone ~~within the district~~, *subject to approval by the bank, and specified reporting requirements*. By requiring the councils of governments to develop criteria and *requiring the councils and local governments to perform other duties with respect to the selection and establishment of zones*, the bill would impose a state-mandated local program.

The bill would authorize ~~a district~~ *the bank* to finance the purchase, construction, expansion, improvement, seismic retrofit, or rehabilitation of real or other tangible property, for various purposes, including interchanges, ramps and bridges, arterial streets, parking facilities, transit facilities, sewage treatment and water reclamation plants and interceptor pipes, facilities for the collection and treatment of water for urban uses, child care facilities, libraries, parks, recreational facilities, open space, facilities for the transfer and disposal of solid waste, including transfer stations and vehicles, and housing. ~~A district~~ *The bank* would be authorized to issue bonds and ~~to engage in~~ *receive allocations of revenues resulting from a type of* tax increment financing for these purposes. *By requiring local*

agencies to conduct funding allocation activities, this bill would also impose a state-mandated local program.

The pilot project would end on a specified date, but the ~~district~~ bank would receive tax increment revenues for a period of 20 years from the date the district was established, plus an additional 10 years solely for the repayment of debt incurred prior to that date.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that *parts of the bill* ~~contains~~ *contain* costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions. *It would also specify that no reimbursement is required by parts of this act for a specified reason.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Local governments face significant fiscal impediments to
- 4 financing the development and upgrading of essential
- 5 infrastructure, including streets, parking facilities, water and
- 6 sewer systems, and parks, to serve new high-density housing.
- 7 (b) The existing pattern of residential development will
- 8 continue to absorb valuable farmland and open space and be
- 9 located in areas that are not served by adequate transportation
- 10 and other essential utilities and services, unless incentives are
- 11 provided to locate high-density residential development in a
- 12 manner that is consistent with protecting the state's most
- 13 valuable natural resources, encouraging efficient development
- 14 patterns.
- 15 (c) It is therefore the intent of the Legislature in enacting this
- 16 act to support and contribute to the financing of this
- 17 infrastructure and to accomplish all of the following:
- 18 (1) Encourage the location of high-density housing so as to use
- 19 available land more efficiently by complementing and enhancing

1 regional transportation, air quality, and other regional
2 investments, priorities, and strategies.

3 (2) Preserve farmland by encouraging high-density housing
4 sited in accordance with regional growth plans.

5 (3) Provide incentives to ensure that development occurs
6 where it makes most sense through a partnership between the
7 state, the local agency, and the private developer.

8 (4) Establish a voluntary pilot project to determine whether
9 providing resources to local governments for infrastructure and
10 services needed for the concentrated development of high-density
11 housing will lead to a higher level of housing constructed in
12 locations that match regionally determined growth principles.

13 (5) Recognize and protect the principle of local control of
14 local land use authority of individual cities and counties, while
15 providing additional resources to jurisdictions that are willing to
16 approve the development of high-density housing in locations
17 where a more intensified level of development will yield broader
18 regional benefits.

19 (6) Include reasonable accountability measures that will
20 inform the state of the progress of the pilot project, including
21 how and where the new financing mechanism adopted pursuant
22 to this act is used.

23 SEC. 2. Division 3 (commencing with Section 64100) is
24 added to Title 6.7 of the Government Code, to read:

25
26 DIVISION 3. HOUSING AND INFRASTRUCTURE
27 FINANCING ACT OF 2006

28
29 CHAPTER 1. GENERAL PROVISIONS
30

31 64100. For the purposes of this division, the following terms
32 shall have the following meanings:

33 (a) "Council of governments" means the Association of Bay
34 Area Governments, the Southern California Association of
35 Governments, the San Diego Association of Governments, or the
36 Sacramento Area Council of Governments.

37 ~~(b) "County," with respect to geographical area, means the~~
38 ~~unincorporated area of the county only.~~

39 ~~(c) "Housing and infrastructure financing district" means a~~
40 ~~legally constituted governmental entity established pursuant to~~

1 ~~this division for the sole purpose of financing housing, and the~~
2 ~~infrastructure necessary to serve that housing, within the zones~~
3 ~~established pursuant to this division.~~

4 ~~(d) “Housing and infrastructure zone” means an area within a~~
5 ~~city or the unincorporated area of a county in which housing or~~
6 ~~infrastructure if financed by a housing and infrastructure~~
7 ~~financing district pursuant to a housing and infrastructure plan~~
8 ~~adopted pursuant to Section 64120.~~

9 ~~(e) “Low-income families” has the same meaning as that set~~
10 ~~forth for “lower income households” in Section 50079.5 of the~~
11 ~~Health and Safety Code.~~

12 ~~(f) “Moderate-income families” has the same meaning as that~~
13 ~~set forth for “persons and families of low or moderate income” in~~
14 ~~Section 50093 of the Health and Safety Code.~~

15 ~~(g) “Very low income families” has the same meaning as that~~
16 ~~set forth for “very low income households” in Section 50105 of~~
17 ~~the Health and Safety Code.~~

18 ~~(h) “School entities” has the same meaning as that set forth in~~
19 ~~subdivision (f) of Section 95 of the Revenue and Taxation Code.~~

20 *(b) “Bank” means the California Infrastructure and Economic*
21 *Development Bank created pursuant to Section 63021.*

22 *(c) “County,” with respect to geographical area, means the*
23 *unincorporated area of the county only.*

24 *(d) “Housing and infrastructure zone” means an area within*
25 *a city or the unincorporated area of a county in which housing or*
26 *infrastructure is financed by the bank pursuant to a housing and*
27 *infrastructure plan adopted pursuant to Section 64120 and*
28 *approved pursuant to Section 64115.*

29 *(e) “Low-income families” has the same meaning as that set*
30 *forth for “lower income households” in Section 50079.5 of the*
31 *Health and Safety Code.*

32 *(f) “Moderate-income families” has the same meaning as that*
33 *set forth for “persons and families of low or moderate income”*
34 *in Section 50093 of the Health and Safety Code.*

35 *(g) “School entities” has the same meaning as that set forth in*
36 *subdivision (f) of Section 95 of the Revenue and Taxation Code.*

37 *(h) “Secretary” means the Secretary of Business,*
38 *Transportation and Housing.*

1 (i) “Very low income families” has the same meaning as that
2 set forth for “very low income households” in Section 50105 of
3 the Health and Safety Code.

4 ~~64101. (a) This division shall be known and may be cited as~~
5 ~~the Housing and Infrastructure Financing Act of 2006.~~

6 ~~(b) There is hereby established a pilot project allowing for no~~
7 ~~more than five housing and infrastructure financing districts~~
8 ~~throughout the state for the purpose of financing the construction~~
9 ~~of housing and the infrastructure necessary to serve that housing~~
10 ~~in 100 specifically identified zones.~~

11 ~~(c) It is the priority of the state in implementing this pilot~~
12 ~~project to promote high-density housing development close to~~
13 ~~jobs and transit and reduce vehicle miles traveled by promoting~~
14 ~~pedestrian-oriented connections between residential and~~
15 ~~commercial components of the district.~~

16 ~~64102. (a) This division shall become inoperative 20 years~~
17 ~~after the date the last zone is authorized pursuant to Chapter 6~~
18 ~~(commencing with Section 64150).~~

19 ~~(b) Notwithstanding subdivision (a), a housing and~~
20 ~~infrastructure financing district zone shall receive an allocation~~
21 ~~of funds pursuant to Section 64135 for a period of 20 years after~~
22 ~~the date the zone for which the district receives an allocation of~~
23 ~~funds was authorized pursuant to Chapter 6 (commencing with~~
24 ~~Section 64150), plus an additional period of 10 years solely for~~
25 ~~the repayment of debt incurred prior to that date. In addition, any~~
26 ~~city or county shall continue to receive the allocation of funds~~
27 ~~calculated in accordance with subdivision (b) of Section 64135.~~

28 ~~64101. (a) This division shall be known and may be cited as~~
29 ~~the Housing and Infrastructure Financing Act of 2006.~~

30 ~~(b) There is hereby established a pilot project allowing for no~~
31 ~~more than 100 housing and infrastructure zones throughout the~~
32 ~~state for the purpose of financing the construction of housing and~~
33 ~~infrastructure within those housing and infrastructure zones.~~

34 ~~(c) It is the priority of the state in implementing this pilot~~
35 ~~project to promote high-density housing development close to~~
36 ~~jobs and transit and reduce vehicle miles traveled by promoting~~
37 ~~pedestrian-oriented connections between residential and~~
38 ~~commercial components of the district.~~

1 64102. (a) *This division shall become inoperative 20 years*
2 *after the date the last zone is authorized pursuant to Chapter 6*
3 *(commencing with Section 64150).*

4 (b) *Notwithstanding subdivision (a), the bank shall receive an*
5 *allocation of taxes pursuant to Section 64135 for the benefit of*
6 *each housing and infrastructure zone for a period of 20 years*
7 *after the first fiscal year in which the bank authorized the*
8 *allocation of taxes pursuant to Section 64115, plus an additional*
9 *period of 10 years solely for the repayment of debt incurred prior*
10 *to that date.*

11
12 ~~CHAPTER 2. HOUSING AND INFRASTRUCTURE FINANCING~~
13 ~~DISTRICTS AND HOUSING AND INFRASTRUCTURE ZONES~~
14

15 ~~64110. (a) There are hereby created five housing and~~
16 ~~infrastructure financing districts, the boundaries of which are~~
17 ~~each conterminous with the following, respectively:~~

18 ~~(1) (A) The boundaries of the region represented by the San~~
19 ~~Diego Council of Governments.~~

20 ~~(B) This district shall be known as the SANDAG District.~~

21 ~~(2) (A) The boundaries of the regions represented by the~~
22 ~~Southern California Association of Governments.~~

23 ~~(B) This district shall be known as the SCAG District.~~

24 ~~(3) (A) The boundaries of the region represented by the~~
25 ~~Association of Bay Area Governments.~~

26 ~~(B) This district shall be known as the ABAG District.~~

27 ~~(4) (A) The boundaries of the region represented by the~~
28 ~~Sacramento Area Council of Governments.~~

29 ~~(B) This district shall be known as the SACOG District.~~

30 ~~(5) (A) Those areas of the state that are not included within a~~
31 ~~region represented by a council of governments.~~

32 ~~(B) This district shall be known as the Rural Developing Area~~
33 ~~District and shall be under the jurisdiction of the Business,~~
34 ~~Transportation and Housing Agency.~~

35 ~~(b) Except with respect to the Rural Developing Area District,~~
36 ~~the governing body of a housing and infrastructure financing~~
37 ~~district shall consist of the following members:~~

38 ~~(1) Two members of the governing body of the council of~~
39 ~~governments for the area in which the district is located.~~

~~(2) One member appointed by the Funding Oversight Committee established pursuant to Section 64150.~~

~~(3) One member with professional training and experience in housing economics appointed by the governing body of the council of governments.~~

~~(4) One member with professional training and experience in government finance appointed by the governing body of the council of governments.~~

~~(e) The purpose of these districts is to finance the construction of housing, and the infrastructure necessary to serve that housing, within housing and infrastructure zones established pursuant to this chapter.~~

~~64111. Each council of governments and the agency described in Section 64110 may, on behalf of its respective district, establish housing and infrastructure zones within the region it represents, in response to an application received pursuant to Section 64114 as follows:~~

~~(a) The Southern California Association of Governments may establish up to and including 25 housing and infrastructure zones.~~

~~(b) The Association of Bay Area Governments may establish up to and including 20 housing and infrastructure zones.~~

~~(c) The San Diego Association of Governments and the Sacramento Area Council of Governments may each establish up to and including 15 housing and infrastructure financing zones.~~

~~(d) The Business and Transportation Agency may establish up to and including 25 housing and infrastructure zones.~~

~~64112. (a) On or before September 1, 2007, each council of governments identified in Section 64111 shall develop criteria for the establishment and location of housing and infrastructure zones within its region. Criteria may be developed, or be based upon, a collaborative regional growth vision, blueprint, or other similar regional planning effort that identifies areas and locations where additional job growth, high-density housing, or other development is preferred to be concentrated to complement and enhance regional transportation, air quality, and other regional priorities and strategies, including, but not limited to, reducing vehicle miles traveled and improving the regional jobs-housing balance. A council of governments may elect to use previously adopted criteria that meet the requirements of this paragraph.~~

1 ~~(b) Each council of governments shall develop a process that~~
2 ~~includes the development of draft criteria and the opportunity for~~
3 ~~cities and counties within the region and the public to provide~~
4 ~~input before the draft criteria become final.~~

5 ~~(c) Each council of governments shall present the criteria~~
6 ~~developed pursuant to subdivision (a) to the Secretary of~~
7 ~~Business, Transportation and Housing and shall consider the~~
8 ~~comments of the secretary before adopting the final regional~~
9 ~~criteria if those comments are received within 120 days of the~~
10 ~~date the criteria were submitted to the secretary. The final~~
11 ~~regional criteria shall be adopted no later than March 1, 2008.~~

12 ~~64113. (a) On or before March 1, 2008, the Secretary of~~
13 ~~Business, Transportation and Housing shall adopt criteria for the~~
14 ~~establishment and location of housing and infrastructure zones~~
15 ~~within the Rural Developing Area District. The criteria shall be~~
16 ~~consistent with the priorities described in Section 65041.1. Prior~~
17 ~~to final adoption of the criteria, the secretary shall submit draft~~
18 ~~criteria for review and comment to the Department of Finance,~~
19 ~~the Department of Housing and Community Development, the~~
20 ~~Office of Planning and Research, and the Secretary of the~~
21 ~~Resources Agency. The secretary shall consider the comments~~
22 ~~prior to adopting the final criteria no later than March 1, 2008.~~

23 ~~(b) The secretary shall develop a process that includes the~~
24 ~~development of draft criteria and the opportunity for cities and~~
25 ~~counties within the district and the public to provide input before~~
26 ~~the draft criteria become final.~~

27 ~~64114. (a) No later than January 1, 2009, a city or a county~~
28 ~~may file an application requesting that the council of~~
29 ~~governments for the region in which it is located, or the Secretary~~
30 ~~of Business, Transportation and Housing in the Rural Developing~~
31 ~~Area District, to establish one or more housing and infrastructure~~
32 ~~financing zones within its jurisdictional boundaries.~~

33 ~~(b) The application shall demonstrate how the location of the~~
34 ~~zone conforms to the criteria established pursuant to Section~~
35 ~~64112 or 64113, as applicable, and shall include the plan~~
36 ~~described in Section 64120.~~

37 ~~64115. (a) (1) A council of governments shall evaluate each~~
38 ~~application submitted by a city or county within its boundaries~~
39 ~~pursuant to Section 64114, determine whether the location of the~~
40 ~~proposed zone is consistent with the established criteria and the~~

1 benefits the region will achieve from implementation of the plan
2 described in Section 64120 that was submitted with the
3 application, and rank those applications that conform to the
4 criteria. Draft rankings shall be presented at one or more public
5 hearings and shall be modified as appropriate following the
6 receipt of public input.

7 (2) No later than July 1, 2009, after the conclusion of the
8 period of public input and modification, the council of
9 governments shall publish its proposed rankings. An applicant
10 city or county may appeal the proposed rankings to the governing
11 body of the council of governments if a ranking fails to comply
12 with the selection criteria developed by the region.

13 (3) No later than September 1, 2009, after consideration of any
14 information presented during the appeals process, the council of
15 governments shall adopt its final rankings and submit its
16 recommendation of the location of housing and infrastructure
17 zones within its region to the Secretary of Business,
18 Transportation and Housing.

19 (b) The secretary shall evaluate each application submitted by
20 a city or county within the Rural Developing Area District,
21 determine whether the location of the proposed zone is consistent
22 with the established criteria and the benefits the area will achieve
23 from implementation of the plan described in Section 64120 that
24 was submitted with the application, and rank those applications
25 that conform to the criteria. Draft rankings shall be presented at
26 one or more public hearings and shall be modified as appropriate
27 following the receipt of public input. No later than July 1, 2009,
28 after the conclusion of the period of public input and
29 modification, the secretary shall approve and publish its rankings
30 for the Rural Developing Area District.

31 (c) No later than December 31, 2009, the secretary, after
32 consideration of the ratings and rankings received by each
33 council of governments, shall approve and publish the locations
34 of the zones. It is the intent of the Legislature that the secretary
35 defer to the recommendations and priorities of the councils of
36 governments unless the secretary finds, based upon substantial
37 evidence, that a recommended zone is inconsistent with the
38 priorities described in Section 65041.1. If the secretary finds that
39 a recommended zone is inconsistent with the priorities described
40 in Section 65041.1, the council of governments shall have an

1 opportunity to select a new location for approval by the secretary.
2 The secretary may choose to reorder the rankings submitted by
3 the council of governments after conferring and consulting with
4 the council of governments.

5 (d) Within 10 days of approving the locations of the zones
6 pursuant to subdivision (b), the secretary shall submit the list,
7 and the list of zones chosen to be located within the Rural
8 Developing Area District, to the Funding Oversight Committee.

9 64116. (a) A housing and infrastructure financing zone shall
10 not be located within the boundaries of a redevelopment project
11 area established pursuant to the Community Redevelopment Law
12 (Part 1 (commencing with Section 33000) of Division 24 of the
13 Health and Safety Code).

14 (b) In selecting zones, a priority shall be given to zones that
15 achieve or exceed residential densities of at least 40 units per
16 acre averaged across the zones. A zone may not be approved
17 with densities less than 25 units per acre. Commercial, retail,
18 office space, and other uses compatible with residential
19 development may be included within a zone to serve the
20 residents in the zone and the surrounding community.

21 (c) A zone shall include a minimum of 500 residential units.
22

23 CHAPTER 2. HOUSING AND INFRASTRUCTURE ZONES 24

25 64110. (a) Each council of governments may propose
26 housing and infrastructure zones within the region it represents,
27 in response to an application received pursuant to Section 64114
28 as follows:

29 (1) The Southern California Association of Governments may
30 propose up to and including 25 housing and infrastructure zones.

31 (2) The Association of Bay Area Governments may propose up
32 to and including 20 housing and infrastructure zones.

33 (3) The San Diego Association of Governments and the
34 Sacramento Area Council of Governments may each propose up
35 to and including 15 housing and infrastructure financing zones.

36 (b) The secretary may propose up to and including 25 housing
37 and infrastructure zones within those areas of the state that are
38 not included within the jurisdiction of a council of governments.

39 64112. (a) On or before September 1, 2007, each council of
40 governments and the secretary shall develop criteria for the

1 establishment and location of housing and infrastructure zones
2 within its region. The criteria shall be consistent with the state
3 planning priorities established by Section 6504.1. Criteria may
4 be developed, or be based upon, a collaborative regional growth
5 vision, blueprint, or other similar regional planning effort that
6 identifies areas and locations where additional job growth,
7 high-density housing, or other development is preferred to be
8 concentrated to complement and enhance regional
9 transportation, air quality, and other regional priorities and
10 strategies, including, but not limited to, reducing vehicle miles
11 traveled and improving the regional jobs-housing balance. A
12 council of governments and the secretary may elect to use
13 previously adopted criteria that meet the requirements of this
14 subdivision.

15 (b) A housing and infrastructure zone shall not be located
16 within a redevelopment project area established pursuant to the
17 Community Redevelopment Law (Part 1 (commencing with
18 Section 33000) or the Community Redevelopment Disaster
19 Project Law (Part 1.5 (commencing with Section 34000) of
20 Division 24 of the Health and Safety Code).

21 (c) Each council of governments and the secretary shall
22 develop a process that includes the development of draft criteria
23 and the opportunity for cities and counties within the region and
24 the public to review and offer comments, before adopting the
25 final criteria.

26 (d) Each council of governments and the secretary shall
27 present the criteria developed pursuant to subdivision (a) to the
28 bank and shall consider the comments of the bank before
29 adopting the final regional criteria if those comments are
30 received within 120 days of the date the criteria were submitted
31 to the bank. The final regional criteria shall be adopted no later
32 than March 1, 2008.

33 64114. (a) On or before January 1, 2009, and on or before
34 January 1 of each odd-numbered year thereafter, a city or a
35 county may file an application requesting that the council of
36 governments for the region in which it is located, or the
37 secretary, as applicable, to establish one or more housing and
38 infrastructure zones within its jurisdictional boundaries.

39 (b) The application shall demonstrate how the location of the
40 zone conforms to the criteria established pursuant to Section

1 64112, and shall include the draft housing and infrastructure
2 plan described in Section 64120.

3 64115. (a) (1) A council of governments and the secretary,
4 as applicable, shall evaluate each application submitted by a city
5 or county within its boundaries pursuant to Section 64114,
6 determine whether the location of the proposed zone is consistent
7 with the adopted criteria and the benefits that the region will
8 achieve from implementation of the housing and infrastructure
9 plan. The council of governments and the secretary, as
10 applicable, shall rank those applications that conform to the
11 selection criteria. Draft rankings shall be presented at one or
12 more public hearings and shall be modified as appropriate
13 following the public review and comment.

14 (2) On or before July 1, 2009, and on or before July 1 in each
15 odd-numbered year thereafter, after the conclusion of the period
16 of public review and comment, the council of governments and
17 the secretary, as applicable, shall announce its proposed
18 rankings. An applicant city or county may appeal the proposed
19 rankings to the governing body of the council of governments or
20 the secretary, as applicable, if a ranking fails to conform to the
21 selection criteria.

22 (3) On or before September 1, 2009, and on or before
23 September 1 in each odd-numbered year thereafter, after
24 consideration of any information presented during the appeals
25 process, the council of governments and the secretary, as
26 applicable, shall adopt its final rankings and submit its
27 recommendation of the location of housing and infrastructure
28 zones within its region to the bank.

29 (b) The bank shall evaluate the applications for the housing
30 and infrastructure zones that it receives from the councils of
31 government and the secretary to determine whether they are
32 consistent with the state planning priorities established by
33 Section 65041.1. The bank may evaluate the applications for
34 consistency with other criteria that the bank has adopted
35 pursuant to the Bergeson-Peace Infrastructure and Economic
36 Development Bank Act, Title 6.7 (commencing with Section
37 63000). Based on the economic analysis in the housing and
38 infrastructure plans prepared pursuant to Section 64120, the
39 bank shall determine the amount of taxes proposed to be diverted
40 pursuant to Section 64135 to the benefit of each housing and

1 *infrastructure zone for the first 20 years of each zone's existence.*
2 *The bank shall then rank the applications and give a priority to*
3 *those zones that propose to achieve or exceed average residential*
4 *densities of at least 40 dwelling units per acre. The bank shall*
5 *not rank an application if the zone's proposed average*
6 *residential density is less than 25 dwelling units per acre. In*
7 *evaluating these applications, the bank may solicit advice from*
8 *and the assistance of other state agencies, including, but not*
9 *limited to, the departments within the Business, Transportation*
10 *and Housing Agency, the departments within the Resources*
11 *Agency, the Department of Finance, and the Governor's Office of*
12 *Planning and Research.*

13 *(c) On or before December 1, 2009, and on or before*
14 *December 1 in each odd-numbered year thereafter, the bank*
15 *shall announce its proposed rankings, including the amount of*
16 *taxes proposed to be diverted pursuant to Section 64135 to the*
17 *benefit of each housing and infrastructure zone for the first 20*
18 *years of the zone's existence. The bank shall notify the councils*
19 *of government, the secretary, and the cities and counties that*
20 *submitted the applications. After announcing its proposed*
21 *rankings, the bank shall provide opportunities for public review*
22 *and comment.*

23 *(d) On or before February 1, 2010, and on or before February*
24 *1 in each even-numbered year thereafter, the bank shall consider*
25 *any comments regarding its proposed rankings of the*
26 *applications for housing and infrastructure zones, and then adopt*
27 *its final rankings.*

28 *(e) On or before March 1, 2010, and on or before March 1 in*
29 *each even-numbered year thereafter, the bank may approve one*
30 *or more applications for housing and infrastructure zones and*
31 *authorize the allocation of taxes pursuant to Section 64135 for*
32 *the benefit of those housing and infrastructure zones.*

33 *(f) The total amount of taxes that would be diverted from*
34 *school entities pursuant to Section 64135 to the benefit of all of*
35 *the housing and infrastructure zones approved by the bank*
36 *pursuant to this section for the first 20 years of the zones'*
37 *existence shall not exceed five hundred million dollars*
38 *(\$500,000,000).*

CHAPTER 3. HOUSING AND INFRASTRUCTURE PLAN

64120. (a) An application submitted pursuant to Section 64112 shall include a draft housing and infrastructure plan adopted by the city or county submitting the application.

(b) The plan shall include text and a diagram or diagrams that specify all of the following in detail:

(1) The distribution, location, and extent of residential uses, and commercial or mixed uses, if any, within the zone. *The plan shall provide for the construction of at least 500 new dwelling units. Commercial, retail, office space, and other uses compatible with residential development may be included to serve the residents of the zone and the surrounding community.*

(2) The proposed densities of residential development in the zone in terms of *dwelling units per acre. The plan shall provide for average residential densities of at least 25 dwelling units per acre.*

(3) The proposed distribution, location, and extent and intensity of major components of public and private transportation, sewage, water, drainage, solid waste disposal, energy, parks, and other essential facilities proposed to be located within the zone covered by the plan and needed to support the housing described in paragraph (1). Infrastructure shall primarily support the residential development financed by the district.

(4) A program of implementation measures, including, but not limited to, regulations, programs, public works projects, residential development projects, and financing measures necessary to carry out paragraphs (1) and (2).

(5) A program to ensure that 20 percent of the housing within the zone financed by the district is affordable for low- and moderate-income families with not less than 5 percent affordable to very low income, 10 percent affordable to low-income, and 5 percent affordable to moderate-income families.

(6) A program of services and mitigation measures required by the residential, commercial, or mixed uses included within the zone. These services and mitigation measures may also benefit existing residents and areas of the community affected by the development and may include improvements and services for streets, parks, libraries, environmental mitigation, schools, and other measures.

1 (c) The plan shall include a draft economic analysis that
2 calculates the annual difference between revenues generated
3 from development within the zone and the amount of revenue
4 necessary to service debt for capital costs or to provide facilities
5 and services, including the affordable housing required pursuant
6 to paragraph (5) of subdivision (b), within the zone.

7 (d) The draft housing and infrastructure plan shall provide that
8 residential development within the zone that is consistent with
9 the general plan, zoning ordinance, housing and infrastructure
10 plan, and other rules and regulations that apply to residential
11 development within the jurisdiction, on the date that an
12 application for residential development is deemed “complete”
13 within the meaning of Section 65944, shall be a “use by right” as
14 that phrase is defined in Section 65582.3.

15 ~~(e) The city or county shall rezone or take any other action as~~
16 ~~might be necessary, including, but not limited to, amendments to~~
17 ~~its general plan and zoning ordinance, to implement the draft~~
18 ~~housing and infrastructure plan and allow development of~~
19 ~~residential uses within the zone within 90 days of the~~
20 ~~certification of the environmental document completed pursuant~~
21 ~~to Section 64123.~~

22 64123. Within 30 days of the approval of a housing and
23 infrastructure zone by the Secretary of Business, Transportation
24 and Housing *bank* pursuant to Section 64115, the city or county
25 shall initiate preparation of any document required by the
26 California Environmental Quality Act (Division 13 (commencing
27 with Section 21000) of the Public Resources Code) to adopt the
28 housing and infrastructure plan prepared pursuant to Section
29 64120.

30 ~~64124. (a) A housing and infrastructure plan shall be~~
31 ~~prepared, adopted, and amended in the same manner as a general~~
32 ~~plan, except that a housing and infrastructure plan may be~~
33 ~~adopted by resolution or ordinance and may be amended when~~
34 ~~deemed necessary by the appropriate legislative body, to meet~~
35 ~~the objectives of the plan.~~

36 ~~(b) A housing and infrastructure plan may be repealed in the~~
37 ~~same manner as it is required to be amended.~~

38 ~~(c) After adoption of the plan, the city or county shall send a~~
39 ~~copy of the environmental document and the plan, as it may have~~

1 been modified as a result of environmental review, to the housing
2 and infrastructure financing district for its jurisdiction.

3 ~~64125. (a) A housing and infrastructure financing district~~
4 ~~shall hold a public hearing to adopt the housing and~~
5 ~~infrastructure plan submitted pursuant to Section 64124. Notice~~
6 ~~of the public hearing shall be given in accordance with Section~~
7 ~~65091 and the plan shall be made available for public inspection.~~

8 ~~(b) The governing body of the district shall review the draft~~
9 ~~economic analysis included with the plan that demonstrates the~~
10 ~~annual difference between revenues generated from development~~
11 ~~within the zone and the amount of revenue necessary service debt~~
12 ~~for capital costs or to provide facilities and services, including~~
13 ~~the affordable housing required pursuant to paragraph (5) of~~
14 ~~subdivision (b) of Section 64120. The governing body shall~~
15 ~~adopt a resolution identifying the amount calculated pursuant to~~
16 ~~this paragraph and send a copy of the resolution to the city or~~
17 ~~county and to the Funding Oversight Committee.~~

18 ~~(c) The governing body of the district may modify the plan by~~
19 ~~reducing the cost of proposed housing or public facilities, by~~
20 ~~reducing the amount of proposed debt, or by reducing the~~
21 ~~portion, amount, or duration of incremental tax revenues to be~~
22 ~~committed to the district. The governing body of the district may~~
23 ~~not modify the plan by changing the amount, type, or character of~~
24 ~~the housing or public facilities that will be financed pursuant to~~
25 ~~the plan nor may the district disapprove the plan.~~

26 ~~64124. (a) A city or county shall prepare, adopt, and amend~~
27 ~~a housing and infrastructure plan in the same manner as a~~
28 ~~general plan.~~

29 ~~(b) After the adoption of the housing and infrastructure plan,~~
30 ~~the city or county shall send a copy of the plan and the~~
31 ~~environmental document completed pursuant to Section 64123 to~~
32 ~~the bank and the council of governments or the secretary, as~~
33 ~~applicable.~~

34 ~~(c) The adopted housing and infrastructure plan shall be~~
35 ~~deemed to be consistent with the proposed housing and~~
36 ~~infrastructure plan approved by the bank pursuant to Section~~
37 ~~64115, unless the bank finds to the contrary within 30 days of~~
38 ~~receiving the adopted housing and infrastructure plan.~~

1 64125. No more than 90 days after certifying the
2 environmental document completed pursuant to Section 64123,
3 the city or county shall do both of the following:

4 (a) Adopt the housing and infrastructure plan for the housing
5 and infrastructure zone.

6 (b) Amend its general plan, any specific plan, its zoning
7 ordinance, or any other applicable regulations, to be consistent
8 with the housing and infrastructure plan.

9
10 CHAPTER 4. FINANCING OF HOUSING AND PUBLIC FACILITIES

11
12 64130. The revenues available to the bank pursuant to
13 Section 64135 may be used directly for any of the lawful
14 purposes of the housing and infrastructure financing district zone,
15 may be accumulated for a period not to exceed five years to
16 provide a fund for that work, or may be pledged to pay the
17 principal of, and interest on, bonds issued pursuant to Section
18 64140.

19 64131. (a) ~~A housing and infrastructure financing district~~
20 *Within a housing and infrastructure zone, the bank may finance*
21 the purchase, construction, expansion, improvement, seismic
22 retrofit, or rehabilitation of any real or other tangible property
23 with an estimated useful life of 15 years or longer that satisfies
24 the requirements of subdivision (b), and may finance planning
25 and design work that is directly related to the purchase,
26 construction, expansion, or rehabilitation of that property.

27 (b) ~~A housing and infrastructure financing district~~ *Within a*
28 *housing and infrastructure zone, the bank may finance housing*
29 and public facilities, including, but not limited to, all of the
30 following:

31 (1) Interchanges, ramps and bridges, arterial streets, parking
32 facilities, and transit facilities.

33 (2) Sewage treatment and water reclamation plants and
34 interceptor pipes.

35 (3) Facilities for the collection and treatment of water for
36 urban uses.

37 (4) Child care facilities.

38 (5) Libraries.

39 (6) Parks, recreational facilities, and open space.

1 (7) Facilities for the transfer and disposal of solid waste,
2 including transfer stations and vehicles.

3 (8) Housing.

4 ~~(e) A district that finances dwelling units shall ensure that 15~~
5 ~~percent of the housing developed within the zone is affordable~~
6 ~~for low- and moderate-income families, with not less than 5~~
7 ~~percent affordable to very low income families, 5 percent~~
8 ~~affordable to low-income families, and 5 percent affordable to~~
9 ~~moderate-income families.~~

10 64135. ~~(a)~~ A housing and infrastructure plan adopted
11 pursuant to Section 64125 may contain a provision that taxes, if
12 any, levied upon taxable property in the area included within the
13 plan each year by or for the benefit of school entities or the city
14 or unincorporated area of the county in which the *housing and*
15 *infrastructure* zone is located after the effective date of the
16 resolution or ordinance approving the plan in an amount not to
17 exceed the amount ~~approved by resolution adopted pursuant to~~
18 ~~paragraph (b) of Section 64125, specified in the plan~~ shall be
19 divided as follows:

20 ~~(1) (A)~~

21 ~~(a) (1)~~ That portion of the taxes that would be produced by
22 the rate upon which the tax is levied each year by or for each of
23 the school entities and the local government upon the total sum
24 of the assessed value of the taxable property in the housing and
25 infrastructure zone as shown upon the assessment roll used in
26 connection with the taxation of that property by the school
27 entities and the local government, last equalized before the
28 effective date of the ordinance or resolution, shall be allocated to
29 and when collected shall be paid to the respective school entities
30 and the local government as taxes by or for the school entities
31 and the local government on all other property are paid.

32 ~~(B)~~

33 (2) For the purpose of allocating taxes levied by or for any
34 school entity that did not include the territory in a zone on the
35 effective date of the ordinance or resolution, but to which that
36 territory has been annexed or otherwise included after that
37 effective date, the assessment roll of the county last equalized on
38 the effective date of the ordinance or resolution shall be used in
39 determining the assessed valuation of the taxable property in the
40 project on the effective date.

1 ~~(2)~~

2 ~~(b)~~ That portion of the levied taxes each year in excess of the
3 amount identified in paragraph (1), shall be allocated to and
4 when collected shall be paid into a special fund of the ~~district~~
5 *bank* to pay the principal of, and interest on, loans, moneys
6 advanced to, or indebtedness, whether funded, refunded,
7 assumed, or otherwise, incurred by the ~~district~~ *bank* or other
8 payments authorized by Section 64130 to finance or refinance, in
9 whole or in part, the plan adopted pursuant to Section 64125.
10 Unless and until the total assessed valuation of the taxable
11 property in a housing and infrastructure ~~financing district zone~~
12 exceeds the total assessed value of the taxable property in that
13 ~~project zone~~ as shown by the last equalized assessment roll
14 referred to in subdivision (a), all of the taxes levied and collected
15 upon the taxable property in the ~~district zone~~ shall be paid to the
16 respective school entities. When the loans, payments, advances,
17 and indebtedness, if any, and interest thereon, have been paid, all
18 moneys thereafter received from taxes upon the taxable property
19 in the ~~district zone~~ shall be paid to the respective school entities
20 as taxes on all other property are paid.

21 ~~(3)~~

22 ~~(c)~~ That portion of the taxes in excess of the amount identified
23 in subdivision (a) that is attributable to a tax rate levied by a
24 school entity for the purpose of producing revenues in an amount
25 sufficient to make annual repayments of the principal of, and the
26 interest on, any bonded indebtedness for the acquisition or
27 improvement of real property shall be allocated to, and when
28 collected shall be paid into, the fund of that school entity.

29 ~~(b)~~ A city or county in which a housing and infrastructure
30 zone is established shall receive an allocation of five hundred
31 dollars (\$500) per year per residential unit constructed within the
32 zone to offset the cost of providing services which are of benefit
33 to that unit. This amount shall increase annually by the increase
34 in the assessed valuation.

35
36 CHAPTER 5. BONDS
37

38 ~~64140.~~ The governing body of the housing and infrastructure
39 financing district may, by majority vote, initiate proceedings to

1 ~~issue bonds pursuant to this chapter by adopting a resolution~~
2 ~~stating its intent to issue the bonds and providing the following:~~

- 3 ~~(a) The issuance of bonds in one or more series.~~
- 4 ~~(b) The principal amount of the bonds.~~
- 5 ~~(c) The date the bonds will bear.~~
- 6 ~~(d) The date of maturity of the bonds.~~
- 7 ~~(e) The denomination of the bonds.~~
- 8 ~~(f) The form of the bonds.~~
- 9 ~~(g) The manner of execution of the bonds.~~
- 10 ~~(h) The medium of payment in which the bonds are payable.~~
- 11 ~~(i) The place or manner of payment and any requirements for~~
12 ~~registration of the bonds.~~
- 13 ~~(j) The terms of call or redemption, with or without premium.~~

14 ~~64141. The resolution adopted pursuant to Section 64140~~
15 ~~shall contain all of the following information:~~

- 16 ~~(a) A description of the housing and public facilities to be~~
17 ~~financed with the proceeds of the proposed bond issue.~~
- 18 ~~(b) The estimated cost of the facilities, the estimated cost of~~
19 ~~preparing and issuing the bonds, and the principal amount of the~~
20 ~~proposed bond issuance.~~
- 21 ~~(c) The maximum interest rate and discount on the proposed~~
22 ~~bond issuance.~~
- 23 ~~(d) A determination of the amount of tax revenue available, or~~
24 ~~estimated to be available, for the payment of the principal of, and~~
25 ~~interest on, the bonds.~~

26 ~~(e) A finding that the amount necessary to pay the principal of,~~
27 ~~and interest on, the proposed bond issuance will be less than, or~~
28 ~~equal to, the amount determined pursuant to subdivision (d).~~

29 ~~64142. The clerk of the governing body shall publish the~~
30 ~~resolution adopted pursuant to Section 64140 once a day for at~~
31 ~~least seven successive days in a newspaper published in the city~~
32 ~~or county at least six days a week, or at least once a week for two~~
33 ~~successive weeks in a newspaper published in the city or county~~
34 ~~less than six days a week.~~

35 ~~64143. The governing body may proceed with the issuance of~~
36 ~~the bonds in accordance with the resolution adopted pursuant to~~
37 ~~Section 64140 after the close of the publication period set forth in~~
38 ~~Section 64142.~~

1 64140. *The bank may issue bonds for the purposes of this*
2 *division pursuant to the procedures established under Chapter 5*
3 *(commencing with Section 63070) of Division 1 of Title 6.7.*

4
5 ~~CHAPTER 6. FUNDING OVERSIGHT COMMITTEE~~
6

7 ~~64150. The Funding Oversight Committee is hereby created~~
8 ~~in state government. The committee shall ascertain facts and~~
9 ~~make recommendations to the Legislature concerning the~~
10 ~~housing and infrastructure financing districts established~~
11 ~~pursuant to this division. The committee shall continue in~~
12 ~~existence only while the pilot project is in effect, and may meet,~~
13 ~~act, and conduct its business at any place within this state.~~

14 ~~64151. The Funding Oversight Committee is created for all of~~
15 ~~the following purposes:~~

16 ~~(a) To determine the impact on the state General Fund of the~~
17 ~~division of taxes authorized by Section 64135.~~

18 ~~(b) To evaluate the extent to which the implementation of the~~
19 ~~housing and infrastructure plans has achieved the purposes and~~
20 ~~intent of the Legislature in enacting this division.~~

21 ~~(c) To evaluate the extent to which the implementation of the~~
22 ~~housing and infrastructure plans is consistent with the principles~~
23 ~~included in regional growth blueprints and in Section 65041.1.~~

24 ~~64152. The committee shall consist of the Legislative~~
25 ~~Analyst, the Director of Housing and Community Development,~~
26 ~~and the Secretary of the Resources Agency.~~

27 ~~64153. The committee may make rules governing its own~~
28 ~~proceedings.~~

29 ~~64154. (a) Within 30 days of receiving the recommendations~~
30 ~~of the Secretary of Business, Transportation and Housing~~
31 ~~pursuant to Section 64115, and the resolutions adopted pursuant~~
32 ~~to Section 64125, and every five years thereafter during the time~~
33 ~~which the pilot project is in effect, the Legislative Analyst shall~~
34 ~~provide a report to the Funding Oversight Committee, the Joint~~
35 ~~Legislative Budget Committee, and the relevant housing~~
36 ~~committee of each house of the Legislature, that calculates the~~
37 ~~state's contribution to the implementation of the housing and~~
38 ~~infrastructure plans by the housing and infrastructure financing~~
39 ~~districts. The state's contribution shall be the sum of the amounts~~
40 ~~identified in the resolutions adopted pursuant to Section 64125.~~

1 ~~(b) The report shall also include the Legislative Analyst's~~
2 ~~recommendation on the number of housing and infrastructure~~
3 ~~zones that should be implemented for that fiscal year and each of~~
4 ~~the following four fiscal years, based on the condition of the state~~
5 ~~General Fund.~~

6 ~~64155. (a) For the 2009-10 fiscal year, the committee shall~~
7 ~~select no fewer than 25 housing and infrastructure zones to~~
8 ~~implement the adopted housing and infrastructure financing~~
9 ~~plans, unless the Legislative Analyst has recommended~~
10 ~~implementation of a lesser number of zones in its report provided~~
11 ~~pursuant to Section 64154, in which case the committee shall~~
12 ~~select the lesser number of zones.~~

13 ~~(b) No later than October 1, 2014, the committee shall provide~~
14 ~~a report to the Legislature that includes all of the following~~
15 ~~information for the zones selected pursuant to this section:~~

16 ~~(1) A summary of the information received pursuant to~~
17 ~~Section 64160.~~

18 ~~(2) The impact on the state General Fund of the~~
19 ~~implementation of the housing and infrastructure zones.~~

20 ~~(3) An analysis of the extent to which the implementation of~~
21 ~~the housing and public facilities financed by the housing and~~
22 ~~infrastructure financing districts within the housing and~~
23 ~~infrastructure financing zones achieves the purposes and intents~~
24 ~~of the Legislature in enacting this division.~~

25 ~~(4) An analysis of the extent to which the implementation of~~
26 ~~the housing and public facilities financed by the districts is~~
27 ~~consistent with the principles included in regional growth~~
28 ~~blueprints and in Section 65041.5.~~

29 ~~64156. (a) No later than November 1, 2015, the committee~~
30 ~~shall select no fewer than 25 additional housing and~~
31 ~~infrastructure zones to implement the adopted housing and~~
32 ~~infrastructure financing plans unless the Legislative Analyst has~~
33 ~~recommended implementation of a lesser number of zones in its~~
34 ~~report provided pursuant to Section 64154, in which case the~~
35 ~~committee shall select the lesser number of zones.~~

36 ~~(b) No later than October 1, 2020, the committee shall provide~~
37 ~~a report to the Legislature including the information described in~~
38 ~~subdivision (b) of Section 64155.~~

39 ~~64157. (a) No sooner than one year after the submission of~~
40 ~~the report described in subdivision (b) of Section 64156, and in~~

1 five-year intervals thereafter, the committee shall select no fewer
2 than 25 additional housing and infrastructure zones to implement
3 the adopted housing and infrastructure financing plans unless the
4 Legislative Analyst has recommended implementation of a lesser
5 number of zones in its report provided pursuant to Section 64154,
6 in which case the committee shall select the lesser number of
7 zones.

8 (b) The report containing the information described in
9 subdivision (b) of Section 64155 shall be submitted to the
10 Legislature no later than October 1 of the fiscal year that is five
11 years after the selection is made.

12 CHAPTER 7. DISTRICT REPORTS

13
14
15 64160. (a) No later than July 1 of each year in which a
16 housing and infrastructure financing district is in effect, the
17 district shall submit a report to the Funding Oversight Committee
18 that includes all of the following information:

19 (1) The amount of money allocated to local governments
20 within the district by the county auditor pursuant to Section
21 64135.

22 (2) The number of building permits issued for units approved
23 under the pilot project.

24 (3) The purposes for which the money allocated to the local
25 government by the county auditor was used, including any
26 deposits into an account for use within five years' time.

27 (b) No later than July 1 of the fifth year after the district is
28 established and every five years thereafter, the district shall
29 submit a report to the Funding Oversight Committee updating the
30 fiscal analysis developed pursuant to Section 64125.

31 CHAPTER 6. REPORTS AND OVERSIGHT

32
33
34 64150. *On or before December 31, 2010, and annually*
35 *thereafter, each city and county in which a housing and*
36 *infrastructure zone exists shall provide a report to the bank that*
37 *includes all of the following information for the preceding fiscal*
38 *year:*

39 (a) *The amount of money that the county auditor allocated*
40 *pursuant to Section 64135.*

1 (b) *The purposes for which that money was used.*

2 (c) *The number of residential building permits issued by the*
3 *city or county within the zone.*

4 (d) *The value of all building permits issued by the city or*
5 *county within the zone.*

6 64151. *On or before March 1, 2011, and on or before March*
7 *31 annually thereafter, the bank shall provide a report to the*
8 *Joint Legislative Budget Committee and the relevant housing*
9 *policy committees of each house of the Legislature that includes*
10 *all of the following for the preceding fiscal year:*

11 (a) *The information for each housing and infrastructure zone*
12 *reported to the bank pursuant to Section 64150.*

13 (b) *The total amount of money that county auditors allocated*
14 *pursuant to Section 64135.*

15 (c) *An evaluation of the extent to which the implementation of*
16 *the housing and infrastructure plans has achieved the purposes*
17 *and intent of this division. In preparing this evaluation, the bank*
18 *may solicit advice from and the assistance of other state*
19 *agencies, including, but not limited to, the departments within the*
20 *Business, Transportation and Housing Agency, the departments*
21 *within the Resources Agency, the Department of Finance, and the*
22 *Governor's Office of Planning and Research.*

23 ~~SEC. 3. If the Commission on State Mandates determines that~~
24 ~~this act contains costs mandated by the state, reimbursement to~~
25 ~~local agencies and school districts for those costs shall be made~~
26 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~
27 ~~4 of Title 2 of the Government Code.~~

28 SEC. 3. (a) *If the Commission on State Mandates determines*
29 *that parts of this act contain costs mandated by the state,*
30 *reimbursement to local agencies and school districts for those*
31 *costs shall be made pursuant to Part 7 (commencing with Section*
32 *17500) of Division 4 of Title 2 of the Government Code.*

33 (b) *No reimbursement is required by parts of this act pursuant*
34 *to Section 6 of Article XIII B of the California Constitution*
35 *because a local agency or school district has the authority to levy*
36 *service charges, fees, or assessments sufficient to pay for the*
37 *program or level of service mandated by those parts of this act,*
38 *within the meaning of Section 17556 of the Government Code.*